

### *How can Direct Loans help my child go to college or a career school?*

Direct Loans are low-interest loans for students and parents to help pay for the cost of a student's education after high school. The lender is the U.S. Department of Education (the Department) rather than a bank or other financial institution.

Direct Loans are:

- *Simple*—You borrow directly from the federal government and have a single contact—the Direct Loan Servicing Center—for everything related to the repayment of your loans, even if you receive Direct Loans at different schools.
- *Convenient*—You'll have online access to your Direct Loan account information 24 hours a day, 7 days a week.
- *Flexible*—You can choose from several repayment plans that are designed to meet the needs of almost any borrower, and you can switch repayment plans if your needs change.

### *What kinds of Direct Loans are available?*

- Parents of dependent students can get *Federal Direct PLUS Loans*, which are low-interest loans to help parents meet college costs.
- Students can get *Federal Direct Subsidized Loans* (Federal Direct Stafford/Ford Loans) and *Federal Direct Unsubsidized Loans* (Federal Direct Unsubsidized Stafford/Ford Loans). Direct Subsidized Loans are for students with financial need, as determined by federal regulations. No interest is charged while a student is in school at least half-time, during the grace period, and during deferment periods. Direct Unsubsidized Loans are not based on financial need. Interest is charged during all periods.
- Students or parents can combine different eligible federal student loans into one *Federal Direct Consolidation Loan*.

### *What are the eligibility requirements for a Direct PLUS Loan?*

- You must be the biological or adoptive parent (or, in some cases, the stepparent) of the student for whom you are borrowing.
- Your child must be a dependent student who is enrolled at least half-time at a school that participates in the Direct Loan Program. Generally,

your child is considered dependent if he or she is under 24, has no dependents, and is not married, a veteran, a graduate or professional student, or a ward of the court.

- You cannot have an adverse credit history (a credit check will be done).
- In addition, you and your child must be U.S. citizens or eligible noncitizens, must not be in default on any federal education loans or owe an overpayment on a federal education grant, and must meet other general eligibility requirements for the Federal Student Aid (FSA) programs. You can find more information about these requirements in *The Student Guide* (see the Contacts section of this brochure), or by contacting the financial aid office at your child's school.

### *How do I apply?*

To apply for a Direct PLUS Loan, you need to complete the Direct PLUS Loan application, which includes a Master Promissory Note (MPN). The MPN explains the terms and conditions of your loan and is your legally binding agreement to repay your loan to the Department.

Your child's school will provide a copy of the application and MPN, or tell you if you can apply online. The school may also require you and your child to complete a *Free Application for Federal Student Aid* (FAFSA). Check with the financial aid office at your child's school.

### *How much can I borrow?*

There are no set limits for Direct PLUS Loans, but you may not borrow more than the cost of your child's education, minus any other financial aid he or she may receive, such as a Direct Subsidized or Unsubsidized Loan. Your child's school will determine the actual amount you may borrow.

### *What is the interest rate?*

Direct PLUS Loans have a variable interest rate that is adjusted each year on July 1. Your interest rate may change each year, but it will never be higher than 9%. You can find out the current interest rate by contacting the Direct Loan Servicing Center (see the Contacts section of this brochure). Interest is charged on Direct PLUS Loans during all periods, beginning on the date of your loan's first disbursement.

### *Is there a charge for this loan?*

Yes. In addition to interest, you pay a loan fee of 4% of the principal amount of each Direct PLUS Loan that you borrow. This fee helps reduce the cost of making these low-interest loans. We deduct the fee before you receive any loan money, so the loan amount you actually receive will be less than the amount you have to repay.

### *How will I receive my loan money?*

Your child's school will generally disburse your loan money by crediting it to your child's school account, but may also give some of it directly to you or, with your permission, to your child. Your loan money will usually be disbursed in at least two installments.

### *When do I have to begin repaying my loan?*

You must begin repaying a Direct PLUS Loan 60 days after the full amount that you've borrowed for a school year has been disbursed. This means that in most cases, you must begin making payments while your child is still in school.

### *How much time will I have to repay my loan, and how much will I have to pay each month?*

Generally, you'll have from 10 to 30 years to repay your loan, depending on the repayment plan that you choose. Your monthly payment amount will be based on how much you borrowed and how long you take to repay.

You may choose one of three repayment plans:

- *Standard Repayment Plan*—Fixed monthly payments for up to 10 years.
- *Extended Repayment Plan*—Fixed monthly payments for 12 to 30 years, depending on the total amount of your Direct Loans.
- *Graduated Repayment Plan*—Payments that start off lower, and then gradually increase, usually every two years. You'll repay your loan in full within 12 to 30 years, depending on the total amount of your Direct Loans.

You can change plans at any time. There's no penalty if you make payments before they are due, or pay more than the amount due each month.

You can find more information about these plans by contacting the Direct Loan Servicing Center or visiting *Direct Loans on the Web* (see the Contacts section in this brochure).

**Save time & money with automatic monthly payments!**

We offer the option of having your loan payments automatically taken out of your bank account. This saves you the trouble of writing a check each month, and ensures that your payment will always be made on time. Plus, we'll reduce your interest rate by a quarter point (.25%) during all periods when your payments are being made under this option.

***Can I ever postpone making loan payments?***

Yes, under some conditions you may receive a deferment or forbearance that allows you to temporarily stop making payments. For example, you may qualify for a deferment if you (not your child) return to school at least half-time, are unemployed, or are experiencing an economic hardship as defined in federal regulations.

If you don't qualify for a deferment but are temporarily unable to make loan payments for reasons such as illness or financial hardship, we may grant you a forbearance.

We charge interest on Direct PLUS Loans during all periods of deferment and forbearance.

***Can my loan ever be canceled or discharged?***

You must repay your loan even if your child doesn't complete or can't find a job related to his or her program of study, or if you or your child are unhappy with the education you paid for with your loan. However, we will cancel your loan if you have your loan discharged in bankruptcy, if you die or if the child for whom you borrowed dies, or if you become totally and permanently disabled (additional conditions apply).

We may cancel some or all of your loan if the school closed before your child completed the program, if the school forged your signature or falsely certified that your child was eligible for aid, or if your child dropped out of school and the school did not pay a refund of your loan money that it was required to pay under federal regulations. Check the college's informational materials to see how refund policies apply to federal aid at that school.

***Can I transfer a Direct PLUS Loan to my child so that it becomes my child's responsibility to repay?***

No. A Direct PLUS Loan is a loan made to a parent, not to a student. You are responsible for repaying a Direct PLUS Loan.

***Where can I get more information?***

For more information about the Direct Loan Program and other FSA programs, contact the financial aid office at your child's school, or check the Contacts section of this brochure.

**Direct Loans on the Web:** [www.dl.ed.gov](http://www.dl.ed.gov)

***Contacts******General information about student aid and how to apply for it:*****Federal Student Aid Information Center**

**1-800-4-FED-AID**  
(TTY 1-800-730-8913)



**Student Aid on the Web**  
[www.studentaid.ed.gov](http://www.studentaid.ed.gov)

*Visit the Web site or call for general information about student aid. From the Web site, you can access a variety of student aid publications in English and Spanish, including The Student Guide, a comprehensive overview of the Department's FSA programs.*

***Your single contact for everything related to repayment of your Direct Loan:*****Borrower Services at the Direct Loan Servicing Center**

**1-800-848-0979**  
(TTY 1-800-848-0983)



**Direct Loans on the Web**  
[www.dl.ed.gov](http://www.dl.ed.gov)

*Visit the Web site or call to get your loan account information, obtain a deferment or forbearance application, make online payments, set up automatic payments, and much more.*

***Everything you need to know about Direct Consolidation Loans, and for an online application:*****Direct Loan Consolidation Center**

**1-800-557-7392**  
(TTY 1-800-557-7395)



**Direct Loan Consolidation Web Site**  
[www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov)

# Direct Loan Basics for Parents

## Direct PLUS Loans



*A simple, convenient, flexible way to finance your child's education*



*The William D. Ford Federal Direct Loan Program is one of the Federal Student Aid programs of the U.S. Department of Education.*

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